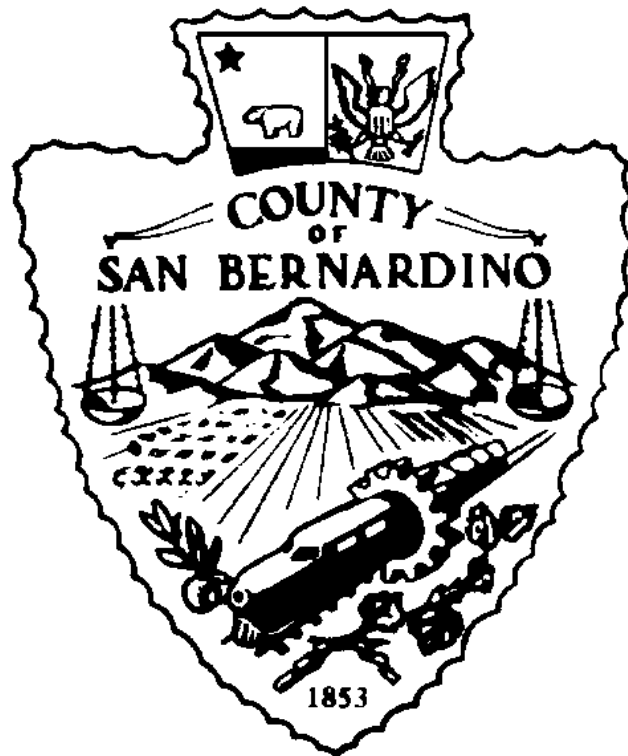


Financial Section

1853



County of San Bernardino





INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Supervisors
County of San Bernardino, California

We have audited the accompanying financial statements of the governmental activities, business-types activities, discretely-presented component unit, each major fund, and the aggregate remaining fund information of the County of San Bernardino, California (the County), as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-types activities, discretely-presented component unit, each major fund, and the aggregate remaining fund information of the County San Bernardino, California, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

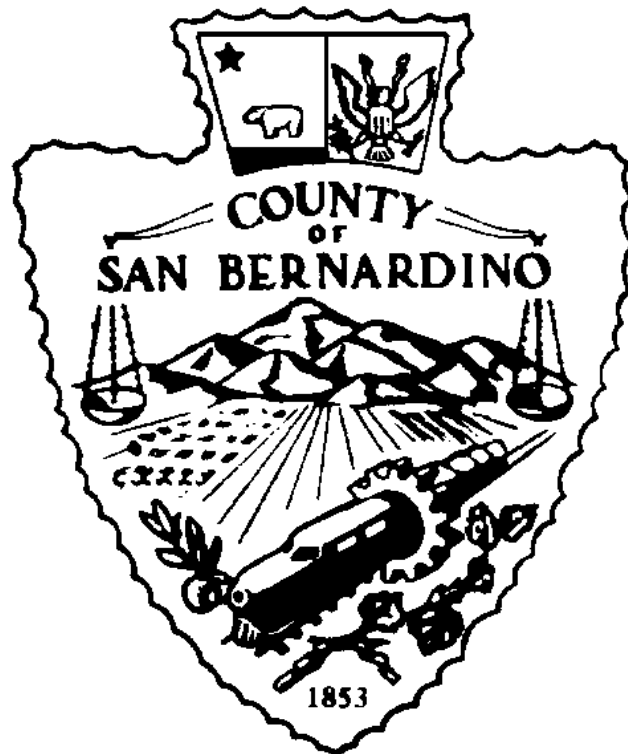
In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2004 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 17 through 33 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, and combining individual non-major fund statements and schedules, and statistical section as listed in the table of contents are presented for purpose of additional analysis and are not a required part of the basic financial statements. The combining, individual non-major fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Vavnick, Trine, Day & Co., LLP

Rancho Cucamonga, California
November 19, 2004





Management's Discussion and Analysis

1853



County of San Bernardino



MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2004

This section of the County's annual financial report presents a discussion and analysis of the County's financial performance during the fiscal year ended June 30, 2004. Please read it in conjunction with the transmittal letter at the front of this report and the County's basic statements following this section.

FINANCIAL HIGHLIGHTS (Amounts in thousands)

- The County's total net assets increased by \$ 80,791. The net increase is attributable to the \$51,093 increase in governmental activities net assets and the \$29,698 increase in business-type activities net assets.
- As of June 30, 2004, the County governmental funds reported combined fund balances of \$644,510, an increase of \$24,396 in comparison with the prior year. Approximately 84% of the combined fund balances, \$541,525 is available to meet the County's current and future needs (*unreserved fund balance*).
- At the end of the fiscal year, unreserved fund balance for the general fund was \$306,053, or 14.2% of the total general fund expenditures.
- The County's total capital assets increased by \$105,883 in comparison with the prior year. (See further detail on page 32)
- The County's total long-term debt increased by \$428,990 in comparison with the prior year. (See further detail on pages 32).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components 1) **Government-wide** financial statements; 2) **Fund** financial statements and 3) **Notes** to the basic financial statements.

Government-Wide Financial Statements are designed to provide readers with a broad overview of County finances, in a manner similar to a private-sector business. These statements include *all* assets and liabilities of the County using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Management's Discussion and Analysis

(Amounts in thousands)

The statement of net assets presents information on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollectible taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, public protection, public ways and facilities, health and sanitation, public assistance, education, recreation and cultural services. The business-type activities of the County include the Medical Center, the Crestline Sanitation District, the Water and Sewer Facilities, the Fire Protection Districts – Ambulance, the Waste Systems Division, the Museum Gift Shop, and the Regional Parks Snack Bar Operations.

Component units are blended in our basic financial statements and consist of legally separate entities for which the County is financially accountable and that have substantially the same board as the County or provided services entirely to the County. The following component units have been blended into the basic financial statements: Fire Protection Districts, Flood Control District, Park and Recreation Districts, Crestline Sanitation District, County Service Areas, various Joint Powers Authorities, ("JPAs") including a Public Benefits Corporation created for the benefit of the County, Inland Empire Facilities Corporation, San Bernardino County Financing Authority and the Crestline Financing Authority.

The government-wide financial statements can be found on pages 36 - 37 of this report.

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term

Management's Discussion and Analysis

(Amounts in thousands)

financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains thirty individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The governmental funds financial statements can be found on pages 40 - 42 of this report.

Proprietary funds are maintained two ways. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide statements. The County uses enterprise funds to account for the Medical Center, the Crestline Sanitation District, the Water and Sewer Facilities, the Fire Protection Districts – Ambulance, the Waste Systems Division, the Museum Gift Shop, and the Regional Parks Snack Bar Operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its printing services, records management, central mail services, telephone services, computer operations, vehicle services, self-insured worker's compensation, public liability, property conservation, and safety programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Medical Center and Waste Systems Division are considered to be major funds of the County. The County's six internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The proprietary fund financial statements can be found on pages 43 - 45 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The Fiduciary fund financial statements can be found on pages 46 - 47 of this report.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund financial statements. The notes can be found on pages 49 - 94 of this report.

Management's Discussion and Analysis

(Amounts in thousands)

Supplemental Information

The Supplemental Information section of this report contains the combining statements and additional budgetary comparison schedules as well as the statistical section. This section is presented to provide additional information that is useful to the users of these financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceed liabilities by \$1,443,685 at the close of the most recent fiscal year.

	Governmental Activities		Business-Type Activities		Total	
	2004	As Restated 2003	2004	As Restated 2003	2004	As Restated 2003
Current and other assets	\$ 1,847,932	\$ 1,416,542	\$ 316,083	\$ 307,178	\$ 2,164,015	\$ 1,723,720
Capital assets	1,169,750	1,112,983	608,456	626,075	1,778,206	1,739,058
Total assets	3,017,682	2,529,525	924,539	933,253	3,942,221	3,462,778
Current and other liabilities	267,088	298,065	43,065	40,653	310,153	338,718
Long-term Liabilities	1,382,012	912,198	808,143	848,967	2,190,155	1,761,165
Total liabilities	1,649,100	1,210,263	851,208	889,620	2,500,308	2,099,883
Net assets:						
Invested in capital assets, net of related debt	892,791	789,223	(60,294)	(63,993)	832,497	725,230
Restricted	400,271	410,106	45,523	47,357	445,794	457,463
Unrestricted	75,520	119,932	88,102	60,269	163,622	180,201
Total Net Assets	\$ 1,368,582	\$ 1,319,261	\$ 73,331	\$ 43,633	\$ 1,441,913	\$ 1,362,894

The largest portion of the County's net assets of \$832,497 reflects its investment in capital assets (e.g. land and easements, structures and improvements, infrastructure, and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

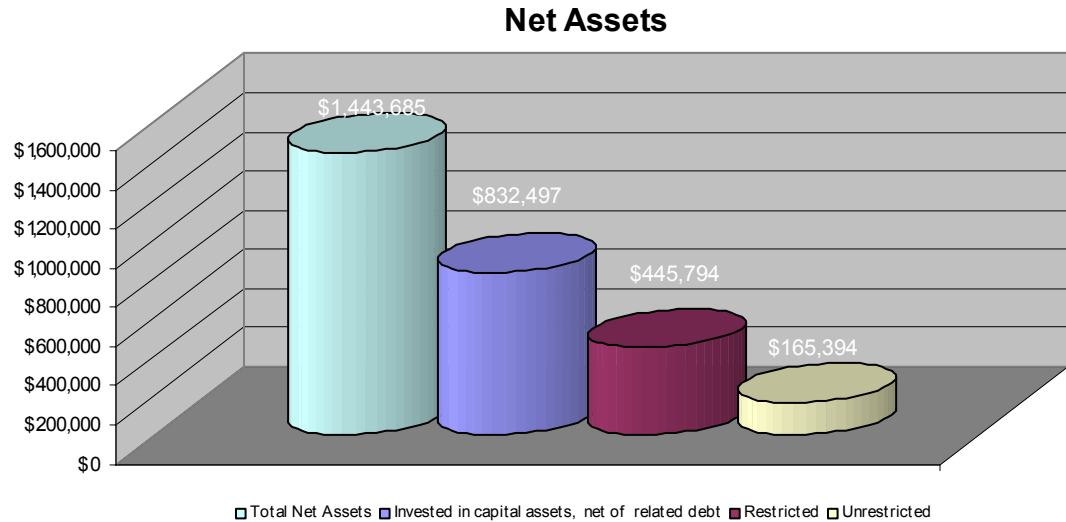
Another significant portion of the County's net assets represents restricted net assets of \$445,794. This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulation of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

The final component of net assets is unrestricted net assets. Unrestricted net assets are resources that the County may use to meet its current and ongoing obligations to citizens and creditors. The unrestricted net assets balance increased to \$165,394 this year from a formerly deficit balance as a result of restating the beginning net assets by recording the prepaid pension asset resulting from the 1995 Pension Obligation Bond issuance. In addition, the prepaid pension asset resulting from the 2004 Pension Obligation Bond issuance was also booked in accordance with GASB 27, Accounting for Pensions by State and Local Governmental Employers. The current principal balance on the Pension Obligation Bonds is \$901,715 (See

Management's Discussion and Analysis

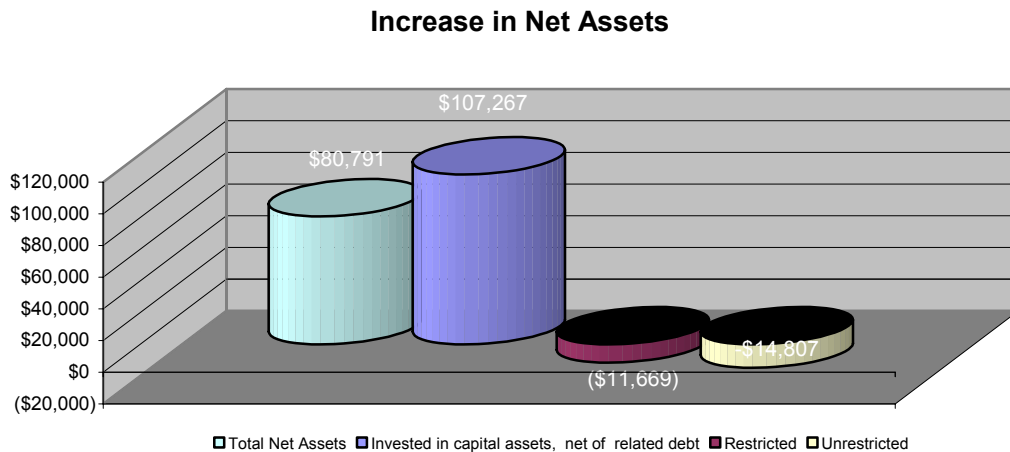
(Amounts in thousands)

Note 11). The corresponding prepaid pension asset of \$848,238 is reflected in the Statement of Net Assets. (See Note 17)



For business-type activities, the County reported a negative balance of \$60,294 invested in capital assets, net of related debt. This negative balance is primarily due to the Medical Center's capital assets being depreciated faster than the related debt schedule payments.

The County's net assets increased \$80,791 during the current fiscal year, mostly due to increases in other state and federal operating grants and in charges for services.



Management's Discussion and Analysis

(Amounts in thousands)

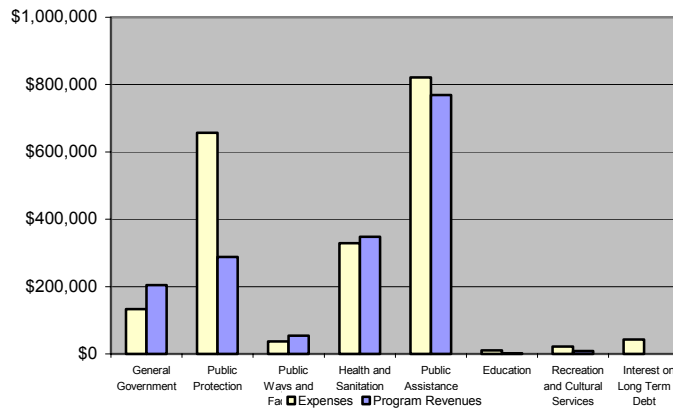
The following table indicates the changes in net assets for governmental and business-type activities.

	Governmental Activities		Business-Type Activities		Total	
	2004	As Restated 2003	2004	As Restated 2003	2004	As Restated 2003
Revenues:						
Program Revenues						
Charges for Services	\$ 377,393	\$ 343,164	\$ 446,481	381,593	\$ 823,874	\$ 724,757
Operating Grants/Contributions	1,189,309	1,159,751	14,776	15,621	1,204,085	1,175,372
Capital Grants/Contributions	10,608	14,780	22,166	29,735	32,774	44,515
General Revenue			-		-	
Property Taxes, Levied for General Purposes	206,860	185,768	5,837	7,221	212,697	192,989
Property Taxes, Levied for Debt Service	4,932	4,224	-	-	4,932	4,224
Public Safety Tax	110,188	94,206	-	-	110,188	94,206
Sales Taxes	22,285	21,766	-	-	22,285	21,766
Other Taxes	25,202	20,167	-	-	25,202	20,167
Motor Vehicle In-Lieu taxes	94,583	117,661	-	-	94,583	117,661
Unrestricted Revenues from Use of Money and Property	33,063	37,247	10,289	14,107	43,352	51,354
Miscellaneous	46,876	58,393	11,747	3,281	58,623	61,674
Gains on Sale of Capital Assets	5,051	2,332	34	168	5,085	2,500
Total Revenues	2,126,350	2,059,459	511,330	451,726	2,637,680	2,511,185
Expenses:						
General Government	132,933	113,343	-	-	132,933	113,343
Public Protection	656,464	587,472	-	-	656,464	587,472
Public Ways and Facilities	37,095	54,909	-	-	37,095	54,909
Health and Sanitation	328,530	305,283	-	-	328,530	305,283
Public Assistance	820,853	823,319	-	-	820,853	823,319
Education	10,357	13,025	-	-	10,357	13,025
Recreation and Cultural Services	22,284	17,542	-	-	22,284	17,542
Interest on Long Term Debt	42,678	45,109	-	-	42,678	45,109
Medical Center	-	-	456,087	418,989	456,087	418,989
Waste Systems	-	-	29,781	62,393	29,781	62,393
Other	-	-	19,827	20,823	19,827	20,823
Total Expenses	2,051,194	1,960,002	505,695	502,205	2,556,889	2,462,207
Excess (Deficit) before Transfers	75,156	99,457	5,635	(50,479)	80,791	48,978
Transfers	(24,063)	(41,839)	24,063	41,839	-	-
Increase in Net Assets	51,093	57,618	29,698	(8,640)	80,791	48,978
Net Assets -- Beginning of Year, as Restated	1,319,261	1,261,643	43,633	52,273	1,362,894	1,313,916
Net Assets -- End of Year	\$ 1,370,354	\$ 1,319,261	\$ 73,331	\$ 43,633	\$ 1,443,685	\$ 1,362,894

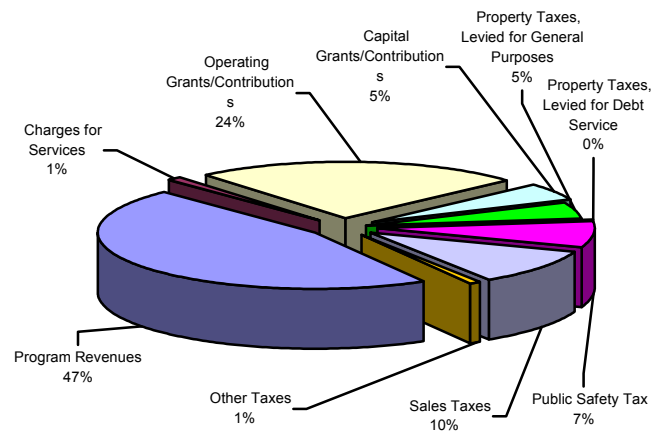
Management's Discussion and Analysis (Amounts in thousands)

Governmental activities. Governmental activities increased the County's net assets by \$51,093. The overall increase in net assets is the result of ongoing revenues exceeding ongoing expenditures.

Expenses and Program Revenues-Governmental Activities

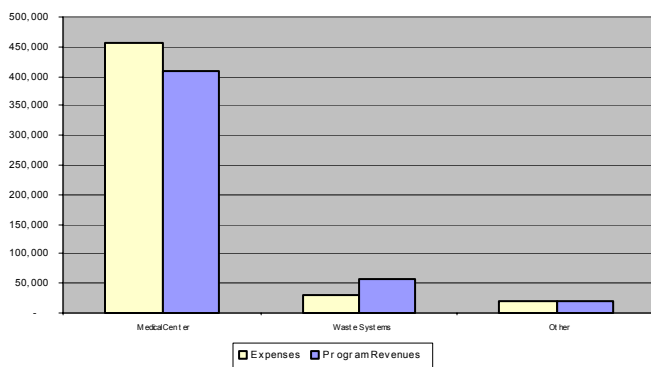


Revenues by Source-Governmental Activities

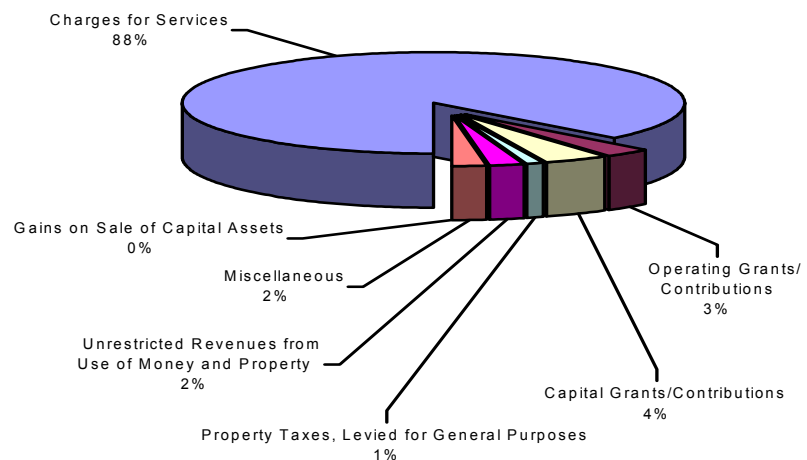


Business-type activities. Business-type activities increased the County's net assets by \$29,698 primarily due to activities of the Waste Systems Division. The key factors in the increase include an \$11,505 increase in tipping fees caused by the Grand Prix and Old Fires; a \$32,909 decrease in closure/post-closure liabilities due to the increase in landfill capacity; and a \$3,487 increase in non-operating income net of decreases to net assets including an \$8,000 increase in operating transfers-out and an increase in professional services of \$7,000. In addition, the Medical Center experienced a net asset decrease of \$3,600 due to fixed assets depreciating more quickly than the related debt re-payment.

Expenses and Program Revenues- Business-type Activities



Revenues by Source-Business-type Activities



Management's Discussion and Analysis

(Amounts in thousands)

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The general government functions are contained in the General, Special Revenue, Debt Service, and Capital Project Funds. Included in these funds are the special districts governed by the Board of Supervisors. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2004, the County's governmental funds reported a total fund balance of \$644,510, an increase of \$24,396 in comparison with the prior year. Approximately 84% of the total fund balance, \$541,525 constitutes unreserved fund balance, which is available to meet the County's current and future needs. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has been committed: 1) to pay debt service of \$40,193; 2) to reflect inventories, encumbrances, prepaid assets and the amounts due from other funds that are long-term in nature and thus do not represent available spendable resources of \$5,790; 3) to liquidate contractual commitments of the period of \$47,925; and 4) to reflect the mandated 1% reserve for property tax losses of \$9,077.

The general fund is the chief operating fund of the County. At June 30, 2004, unreserved fund balance of the general fund was \$306,053 while total fund balance reached \$329,798. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 14.2% of total fund expenditures, while total fund balance represents 15.3% of the same amount.

The County's management also designates (earmarks) unreserved fund balance to a particular function, project or activity. Fund balances may also be designated for purposes beyond the current year. However, designated fund balance is available for appropriation at any time. Of the \$306,053 General Fund unreserved fund balance, 35.6% is designated. The most significant designations are \$34,824 for General Purpose, \$32,075 for Medical Center Debt Service, \$10,183 for Teeter Plan (reserve for property tax losses), and \$7,000 for Future Retirement Rate. Unreserved undesignated fund balance at year-end was \$197,175.

Revenues for governmental functions totaled \$2,127,779 in fiscal year 2003-2004, which represents an increase of 3.04% from fiscal year 2002-2003.

Management's Discussion and Analysis

(Amounts in thousands)

The following table presents the amount of revenue from various sources as well as increases or decreases from the prior year.

Revenues	2003-04		Over (Under) 2002-03	
	Amount	Percent of Total	Amount	Percent
Taxes	\$ 371,404	17%	\$ 41,651	14%
Licenses, Permits and Penalties	18,630	1%	1,960	12%
Fines, Forfeitures and Penalties	16,458	1%	(2,383)	-14%
Revenues From Use of Money and Property	33,063	2%	(4,184)	-8%
Aid From Other Governmental Agencies	1,298,765	61%	2,441	0%
Charges for Current Services	342,305	16%	34,652	12%
Other Revenues	47,154	2%	(11,264)	-15%
Total Revenues	<u>\$ 2,127,779</u>	<u>100%</u>	<u>\$ 62,873</u>	

The County's three major funding sources; taxes, aid from other governmental agencies, and charges for current services constitute 95% of all revenues.

Tax revenues increased by \$41,651 due to increases in Public Safety Tax, Sales Taxes, and Other Taxes in the amounts of \$15,982, \$519, and \$2,212 respectively. The remaining increase of \$22,938 is due to the increase in Property Taxes resulting from the rise in assessed valuation and general growth.

Revenues from use of money and property decreased by \$3,882 due to decreased investment earnings resulting from lower interest rates.

Charges for Current Services increased by \$34,652. Approximately \$4,427 or 13% of the overall increase is due to the reimbursement for the indirect costs included in 2003-04 County Wide Cost Allocation Plan. The remaining increase is due to fee and workload increases throughout the remaining County Departments.

Other Revenue decreased by \$11,642 in the current year. \$8,516 or 73% of the decrease is attributable to the net decrease in fair value adjustments per GASB 31.

Management's Discussion and Analysis

(Amounts in thousands)

The following table presents expenditures by function compared to prior year amounts.

Expenditures	2003-04		Over (Under) 2002-03	
	Amount	Percent of Total	Amount	Percent
Current:				
General Government	\$ 178,026	7%	\$ 67,179	57%
Public Protection	859,932	34%	299,179	57%
Public Ways and Facilities	57,576	2%	(1,696)	-3%
Health and Sanitation	386,749	15%	85,265	26%
Public Assistance	923,900	36%	109,269	33%
Education	14,029	1%	1,486	12%
Recreation and Cultural Services	19,545	1%	4,559	32%
Debt Service				
Principal	23,163	1%	(73,317)	-297%
Interest and Fiscal Charges	26,727	1%	(3,586)	-10%
Capital Outlay	60,279	2%	132	0%
Total Expenditures	<u>\$ 2,549,926</u>	<u>100%</u>	<u>\$ 488,470</u>	

Total County expenditures increased \$488,470 or 23.7% from Fiscal Year 2002-2003 to Fiscal Year 2003-2004. Issuance of the 2004 Pension Obligation Bonds and the subsequent transfer of debt proceeds to the San Bernardino County Employees' Retirement Association (SBCERA) accounts for \$463,895 or 95% of this increase. The increase is spread across the functional expenditures as follows: \$49,578 to General Government; \$234,354 to Public Protection; \$965 to Public Ways & Facilities; \$62,290 to Health and Sanitation; \$112,666 to Public Assistance; and \$4,042 to Recreation & Cultural.

Debt service principal payments decreased by \$73,317 primarily due to not prepaying any debt as was done in fiscal year 2002-2003 in the amount of \$71,700.

Debt service interest payments decreased by \$3,586. The decrease is attributed to the overall reduction in interest rates that affect the interest payments due on Certificates of Participation that have variable interest rates.

Management's Discussion and Analysis

(Amounts in thousands)

Other financing sources and uses are presented below to illustrate changes from the prior year.

Other Financing Sources (Uses) Governmental Funds

	FY 2003-04	Increase/(Decrease) 2002-03	
		Amount	Percent
Transfers to Other Funds	\$ (126,812)	\$ 55,642	-30%
Transfers from Other Funds	102,896	(37,719)	-27%
Long-term Debt Issued	466,142	466,142	
Issuance of Refunding Bonds	-	(63,791)	100%
Payment to Refunded Bonds Escrow Agent	-	-	100%
Inception of Capital Lease Obligations	1,038	(447)	-30%
Sale of Capital Assets	3,279	947	41%
Total Other Financing Sources and (Uses)	<u>\$ 446,543</u>	<u>\$ 420,774</u>	

Total Other Financing Sources and (Uses) increased by \$420,774.

The transfers to other funds decreased by \$55,642 in 2003-04. The key elements of this decrease are as follows:

- Decrease of \$17,700 in State Realignment transfers from the General Fund Health Care Budget Unit to the Medical Center in 2003-04.
- Decrease of \$18,000 in transfers from the General Fund to the Pension Obligation Debt Service Fund.
- Decrease of \$6,000 due to one-time transfers from the General Fund to the Transportation Department to finance the design and construction of the Valley Blvd and Pepper Ave. intersection project in 2002-03.
- Decrease of \$6,365 due to one-time transfers from the General Fund to Waste Systems Division to finance the costs related to the perchlorate investigation at the Mid-Valley Landfill in 2002-03.
- Decrease of \$6,682 in transfers from the General Fund to the Inland Empire Public Facilities Corporation for the lease payment.

Management's Discussion and Analysis

(Amounts in thousands)

The transfers from other funds decreased by \$37,719 in 2003-04. The key elements of this decrease are as follows:

- Decrease of \$6,000 due to one-time transfers from the General Fund to the Transportation Department to finance the design and construction of the Valley Blvd and Pepper Ave. intersection project in 2002-2003.
- Decrease of \$21,881 in transfers from the General Fund to the Pension Obligation Debt Service Fund in the current year.
- Decrease of \$6,682 in transfers from the General Fund to the Inland Empire Public Facilities Corporation for the lease payment.

Long-term debt proceeds increased by \$466,142. The majority of the increase \$463,895 is due to the issuance of the 2004 Pension Obligation Bonds.

Proceeds from Refunding Bonds decreased by \$63,791. There were no new refunding bond issues this year.

Schedule of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds

	Governmental Activities		
	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues	\$ 1,777,756	\$ 350,023	\$ 2,127,779
Expenditures	(2,160,988)	(388,938)	(2,549,926)
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(383,232)	(38,915)	(422,147)
Total Other Financing Sources and (Uses)	427,456	19,087	446,543
Net Change In Fund Balance	44,224	(19,828)	24,396
Fund Balance, July 1, 2003 as Restated	285,574	334,540	620,114
Fund Balance, June 30, 2004	<u>\$ 329,798</u>	<u>\$ 314,712</u>	<u>\$ 644,510</u>

The fund balance of the County's General Fund increased by \$44,224 during the fiscal year. The increase is the resulted from ongoing revenues exceeding ongoing expenditures.

Management's Discussion and Analysis

(Amounts in thousands)

Proprietary funds. The County's proprietary funds provide the same type of format found in the governmental-wide financial statements, but in more detail.

At June 30, 2004, the Medical Center had a total deficit in net assets of (\$26,744). The negative net asset is attributable to the capital assets being depreciated faster than the related debt schedule payments.

The following table shows actual revenues, expenses and results of operations for the current fiscal year:

	Business-Type Activities -- Enterprise Funds			Total Enterprise Funds
	Medical Center	Waste Systems Division	Other Enterprise Funds	
Revenues				
Net Patient Care and Services	\$ 372,815	\$ -	\$ -	\$ 372,815
Charges for Current Services	-	55,065	18,835	73,900
Other	13,727	712	-	14,439
Total Operating Revenues	<u>386,542</u>	<u>55,777</u>	<u>18,835</u>	<u>461,154</u>
Operating Expenses				
Professional Services	31,648	29,219	1,675	62,542
Salaries and Employee Benefits	138,367	4,335	6,864	149,566
Self insurance claims			1	1
Services and Supplies	221,988	(8,614)	8,099	221,473
Depreciation and Amortization	23,328	3,765	2,682	29,775
Other	6,681	-	205	6,886
Total Operating Expenses	<u>422,012</u>	<u>28,705</u>	<u>19,526</u>	<u>470,243</u>
Operating Income (Loss)	<u>(35,470)</u>	<u>27,072</u>	<u>(691)</u>	<u>(9,089)</u>
Nonoperating Revenues (Expenses)				
Interest Revenue	440	9,178	671	10,289
Interest Expense	(33,129)	(1,076)	(301)	(34,506)
Tax Revenue	1,447	-	4,390	5,837
Grant Revenue	22,166	-	103	22,269
Gain (Loss) on Sale of Capital Assets	-	-	34	34
Other Nonoperating Revenues	6,720	3,628	941	11,289
Other Nonoperating Expenses	(946)	-	-	(946)
Total Nonoperating Revenues (Expenses)	<u>(3,302)</u>	<u>11,730</u>	<u>5,838</u>	<u>14,266</u>
Income (Loss) Before Transfers	<u>(38,772)</u>	<u>38,802</u>	<u>5,147</u>	<u>5,177</u>
Transfers to Other Funds	(1,927)	(8,070)	(2,643)	(12,640)
Transfers from Other Funds	<u>37,158</u>	<u>-</u>	<u>3</u>	<u>37,161</u>
Change in Net Assets (Deficit)	<u>(3,541)</u>	<u>30,732</u>	<u>2,507</u>	<u>29,698</u>
Net Assets (Deficit), July 1, 2003, as Restated	<u>(23,203)</u>	<u>(23,374)</u>	<u>90,210</u>	<u>43,633</u>
Net Assets (Deficit), June 30, 2004	<u>\$ (26,744)</u>	<u>\$ 7,358</u>	<u>\$ 92,717</u>	<u>\$ 73,331</u>

The net increase in net assets was primarily due to activities in the Waste Systems Division. The key factor in the increase was a reduction in closure/postclosure costs due to an increase in landfill capacity. See Note 16 on page 87.

The nonmajor enterprise fund's net assets increased by \$2,507 as a result of increased user fees over expenses.

Management's Discussion and Analysis

(Amounts in thousands)

GENERAL FUND BUDGETARY HIGHLIGHTS

The County's final budget differs from the original budget by 26.8%. Supplemental appropriations of \$ 485,863 were approved during the fiscal year. The significant components of this increase are summarized below.

On September 9, 2003, the Board adopted a budget amendment to increase the budget of the Registrar of Voters Department by \$13,695. This increase was for the purchase of an electronic voting system.

On September 23, 2003, the Board adopted a budget amendment to decrease the budget for the Financial Administration by \$30,196. This increase was made to offset reduced State funding.

On October 21, 2003, the Board adopted a budget amendment to increase the budget for the Sheriff's Department as well as the Public Health Department by \$2,213. This increase was due to the receipt of a Homeland Security Grant. This grant was used to increase the capability in San Bernardino County for responding to Weapons of Mass Destruction (WMD).

On November 18, 2003, the Board adopted a budget amendment to increase the budget for the Public Health Department by \$1,055. This increase was to fund salaries and supplies for the WIC program.

On December 9, 2003, the Board adopted a budget amendment to increase the budget for the Human Services System by \$22,437. This increase was made due to increased State funding.

On March 2, 2004, the Board adopted a budget amendment to decrease the budget for the Transitional Assistance Department (TAD) by \$5,200. This decrease was due to a contract amendment between TAD and the California Department of Education (CDE) to provide childcare for CalWorks recipients.

Also, on March 2, 2004, the Board adopted a budget amendment to increase the budget for the Sheriff's Department by \$1,450. This increase was due to increased Proposition 172 sales tax revenue.

On April 27, 2004, the Board adopted a budget amendment to increase the budget for the Public Health Department by \$2,145. This budget amendment reflects increased Bio-terrorism funding from the California Department of Health Services.

On June 8, 2004, a budget adjustment of \$2,000 was required to cover workers' compensation costs and property insurance costs for the remainder of fiscal year 2004.

Management's Discussion and Analysis

(Amounts in thousands)

On June 24, 2004, the County issued Pension Obligation Bonds totaling \$463,895. The bond was recorded as a Prepaid Asset, with the General Fund budget being increased to match the prepaid expense.

On June 29, 2004, the Board adopted a budget amendment to increase the budget for the Sheriff's Department by \$2,325. This was done in anticipation of reimbursement from FEMA for claims submitted for the Old Waterman Canyon and Grand Prix fires.

On August 10, 2004, the Board approved a budget amendment to increase the budget for various departments by \$2,665. This amendment was done in order to facilitate the year-end closing process.

The General Fund budget to actual statement can be found on page 42 of this report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The County's equity investment in capital assets for its governmental and business-type activities as of June 30, 2004, amounted to \$832,497 (net of accumulated depreciation). This investment in capital assets includes land, improvements to land, structures and improvements, equipment, construction in progress (CIP), and infrastructure less bonds and capital leases payable related to those assets.

Major capital asset events during the current fiscal year include the following:

- The Waste Systems Division had approximately \$5,748 in additions to construction in progress. The additions to construction in progress were the result of the following projects: 1) The Mid Valley Expansion – Unit Phase II Project in the amount of \$4,322; 2) the Mid Valley Perchlorate Wells in the amount of \$997.
- The Special Aviation Fund had various projects in construction with a value in Construction In Progress (CIP) of \$15,051. The majority of the CIP was attributed to the Chino Airport Runway Relocation Project.
- The Capital Improvement Fund had the Juvenile Hall Housing Facility Remodel project under construction with a CIP value of \$26,075.
- The Flood Control Fund has various flood control channel facilities under construction with a CIP value of value of \$57,586. The majority of the of the flood control facilities comprised the following: The West State Street Drain in the amount of \$11,306; the Riverside Storm Drain with a CIP value of \$8,078; the San Sevaine Basin with a CIP value of \$10,079; and the San Timeteo Project with a CIP value of \$6,480.

Management's Discussion and Analysis

(Amounts in thousands)

Capital assets for the governmental and business-type activities are presented below to illustrate changes from the prior year:

	Governmental Activities		Business-type Activities		Total		Increase/ (Decrease) Percent
	2004	2003	2004	2003	2004	2003	of Change
Land	\$ 48,501	\$ 48,501	\$ 39,400	\$ 39,400	\$ 87,901	\$ 87,901	0.00%
Construction in progress	134,764	75,058	11,587	7,247	146,351	82,305	77.82%
Improvements other than Buildings	119,526	116,040	215,496	186,810	335,022	302,850	10.62%
Structures and Improvements	450,983	441,908	508,061	532,473	959,044	974,381	-1.57%
Equipment	197,780	191,738	100,784	97,810	298,564	289,548	3.11%
Infrastructure	994,578	978,592	-	-	994,578	978,592	1.63%
Total	<u>\$ 1,946,132</u>	<u>\$ 1,851,837</u>	<u>\$ 875,328</u>	<u>\$ 863,740</u>	<u>\$ 2,821,460</u>	<u>\$ 2,715,577</u>	<u>3.90%</u>

Additional information on the County's capital assets can be found on Note 9 on pages 72-73 of this report.

The County's infrastructure assets are recorded at historical cost in the government-wide financial statements as required by GASB No. 34.

Long-term debt

Major long-term debt events during the current fiscal year include the following:

- Issued new Pension Obligation Bonds totaling \$463,845. The Bonds were issued to finance the County's share of the unfunded accrued liability of the SBCERA.
- Amortization of deferred amount of refunding and discounts totaled \$18,993.
- A total of \$48,145 in principal payments was made on debt.
- The beginning balance of the estimated liability for closure/postclosure care costs was reduced by \$19,439. Please refer to notes of the basic financial statements (note 4) for further detail.

Long-term debt for the governmental and business-type activities are presented below to illustrate changes from the prior year:

	Governmental Activities		Business-type Activities		Total		Increase/ (Decrease) Percent
	2004	As Restated 2003	2004	As Restated 2003	2004	As Restated 2003	of Change
Certificates of Participation	\$ 225,523	\$ 232,640	\$ 670,652	\$ 694,739	\$ 896,175	\$ 927,379	-3.36%
General Obligation Bonds	-	-	2,321	2,657	2,321	2,657	-12.65%
Revenue Bonds	437,820	434,889	-	-	437,820	434,889	0.67%
Other Bonds and Notes Payable	484,755	21,184	3,836	2,729	488,591	23,913	1943.20%
Compensated Absences	100,135	99,443	7,255	6,694	107,390	106,137	1.18%
Capital Lease Obligations	5,517	6,994	1,659	289	7,176	7,283	-1.47%
Estimated Liability for Litigation and Self-Insured Claims	101,709	93,802	-	-	101,709	93,802	8.43%
Estimated Liability for Closure/Postclosure Care Cost	-	-	122,420	141,859	122,420	141,859	-13.70%
Other Long-Term Debt	26,553	23,246	-	-	26,553	23,246	14.23%
Total	<u>\$ 1,382,012</u>	<u>\$ 912,198</u>	<u>\$ 808,143</u>	<u>\$ 848,967</u>	<u>\$ 2,190,155</u>	<u>\$ 1,761,165</u>	<u>24.36%</u>

Additional information on the County's long-term debt can be found in Note 11 on pages 74-81 of this report.

Management's Discussion and Analysis

(Amounts in thousands)

ECONOMIC FACTORS AND FY04 BUDGETING

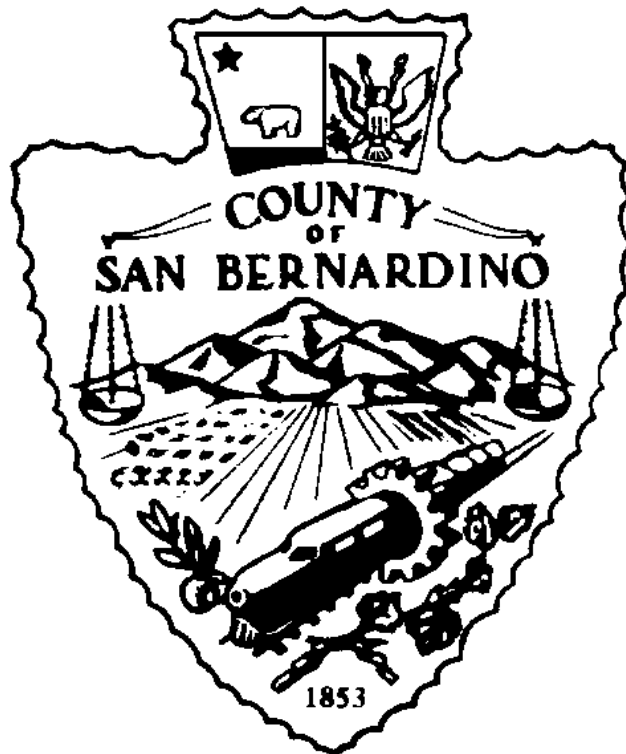
1. For the period of June 20, 2003 to October 31, 2003, no VLF backfill payments were made by the State and the County lost approximately \$37.6 million in discretionary VLF revenues, of which \$2.2 million is related to fiscal year 2002-2003. Part of this loss was due to a reduction in the share of VLF allocated as discretionary revenue, from 75.67% to 71.93%, and a corresponding increase in the share allocated to realignment programs to eliminate any loss to these programs caused by the temporary elimination of the VLF backfill. This \$37.6 million discretionary revenue loss is considered a loan to the State, with the State budget specifying that this loan will be repaid by August 2006.

In the 2004-05 State Budget the VLF Backfill is eliminated. Counties and cities will instead receive increased property tax revenues to compensate for the reduction in VLF. The 2004-05 State Budget also includes a provision that requires the County to reduce its share of property taxes for fiscal years 2004-05 and 2005-06 by \$16.4 million each year.

2. On June 24, 2004, the County of San Bernardino issued its Series 2004 Pension Obligation Bonds (2004 POB) in the amount of \$463,895. The County issued the 2004 POB to satisfy its statutory obligation to pay the San Bernardino County Employees' Retirement Association (SBCERA) the unfunded accrued actuarial liability (UAAL) of the County in the amount of \$459,715 as of June 30, 2003. The additional \$4,180 represents the issuance costs. The County estimates that it will save \$194 million over the twenty year life of the bonds when compared to the interest rate that would have been charged on the UAAL by SBCERA. See Note 17 for additional information on the County's Retirement Plan.
3. Property tax revenues have increased due to a rise in assessed valuation due to rising home prices and sales volume activity.
4. Sales of new and existing homes in the County continue to rise due to the increased demand for affordable housing in the region. This demand is directly related to the job growth of the area and the continued migration of families from higher priced coastal counties of California.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report, separate reports of the County's component units or need any additional financial information, contact the Auditor/Controller-Recorder Office, 222 W. Hospitality Lane, County of San Bernardino, California, 92415.



The background of the cover is a photograph of a large, classical-style building with a prominent arched window. The window is divided into a grid pattern. Two palm trees are visible on either side of the building, and some bushes are in the foreground. The entire image is framed by a dark blue border.

Basic Financial Statements

1853



County of San Bernardino

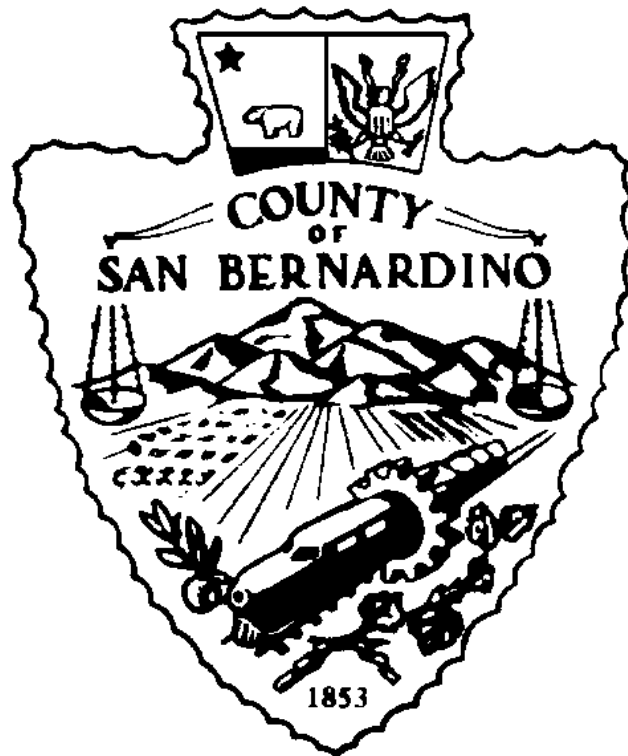


Government-Wide Financial Statements

1853



County of San Bernardino



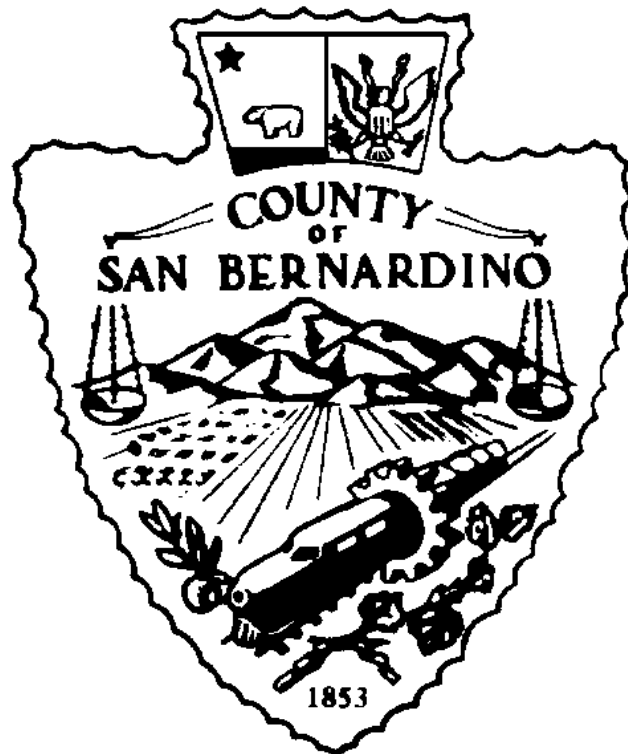
COUNTY OF SAN BERNARDINO
STATEMENT OF NET ASSETS
JUNE 30, 2004 (IN THOUSANDS)

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	FIRST 5 SAN BERNARDINO
ASSETS				
CASH AND CASH EQUIVALENTS (NOTE 6)	\$ 597,263	\$ 78,075	\$ 675,338	\$ 70,473
INVESTMENTS	9,620	-	9,620	-
ACCOUNTS RECEIVABLE - NET (NOTE 2)	3,661	34,574	38,235	-
TAXES RECEIVABLE	17,906	806	18,712	-
INTEREST RECEIVABLE	378	552	930	-
LOAN RECEIVABLE	7,876	-	7,876	-
OTHER RECEIVABLES	48	-	48	-
DUE FROM OTHER GOVERNMENTS	184,131	38,752	222,883	4,449
INTERNAL BALANCES	28,493	(28,493)	-	-
DUE FROM PRIMARY GOVERNMENT	-	-	-	300
INVENTORIES	3,214	1,493	4,707	-
PREPAID ITEMS	1,413	12,229	13,642	15
DEFERRED CHARGES	4,180	1,937	6,117	-
RESTRICTED CASH AND INVESTMENTS (NOTE 6 & 8)	143,283	166,440	309,723	-
OTHER ASSETS	-	9,718	9,718	-
PREPAID PENSION ASSET	848,238	-	848,238	-
LAND (NOTE 9)	48,501	39,400	87,901	-
STRUCTURES, IMPROVEMENTS, AND INFRASTRUCTURE (NOTE 9)	1,565,087	723,557	2,288,644	-
EQUIPMENT (NOTE 9)	197,780	100,784	298,564	244
ACCUMULATED DEPRECIATION AND AMORTIZATION (NOTE 9)	(776,382)	(266,872)	(1,043,254)	(58)
CONSTRUCTION IN PROGRESS (NOTE 9)	134,764	11,587	146,351	-
TOTAL ASSETS	3,019,454	924,539	3,943,993	75,423
LIABILITIES				
ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES	40,575	20,359	60,934	7,106
SALARIES AND BENEFITS PAYABLE	43,659	7,737	51,396	129
DUE TO OTHER GOVERNMENTS	32,492	1,161	33,653	-
DUE TO COMPONENT UNIT	300	-	300	-
INTEREST PAYABLE	2,100	13,790	15,890	-
DEFERRED REVENUE	7,962	18	7,980	-
TRANS NOTE PAYABLE	140,000	-	140,000	-
NONCURRENT LIABILITIES (NOTE 11):				
PORTION DUE OR PAYABLE IN ONE YEAR:				
COMPENSATED ABSENCES PAYABLE (NOTE 11)	66,500	5,854	72,354	49
COP BONDS AND NOTES PAYABLE (NOTE 11)	26,091	28,539	54,630	-
CAPITAL LEASE OBLIGATIONS (NOTE 11 & 14)	1,636	354	1,990	-
OTHER LONG TERM LIABILITIES (NOTE 11)	754	-	754	-
ESTIMATED LIABILITY FOR CLOSURE/POST-CLOSURE CARE COSTS (NOTE 11 & 17)	-	21,467	21,467	-
ESTIMATED LIABILITY FOR LITIGATION AND SELF-INSURED CLAIMS (NOTE 10 & 11)	32,047	-	32,047	-
PORTION DUE OR PAYABLE AFTER ONE YEAR:				
COMPENSATED ABSENCES PAYABLE (NOTE 11)	33,635	1,401	35,036	75
COP BONDS AND NOTES PAYABLE, NET (NOTE 11)	1,122,007	648,270	1,770,277	-
CAPITAL LEASE OBLIGATIONS (NOTE 11 & 14)	3,881	1,305	5,186	-
OTHER LONG TERM LIABILITIES (NOTE 11)	25,799	-	25,799	-
ESTIMATED LIABILITY FOR CLOSURE/POST-CLOSURE CARE COSTS (NOTE 11 & 17)	-	100,953	100,953	-
ESTIMATED LIABILITY FOR LITIGATION AND SELF-INSURED CLAIMS (NOTE 10 & 11)	69,662	-	69,662	-
	1,649,100	851,208	2,500,308	7,359
NET ASSETS:				
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	892,791	(60,294)	832,497	186
RESTRICTED (NOTE 5)	400,271	45,523	445,794	3,485
UNRESTRICTED	77,292	88,102	165,394	64,393
TOTAL NET ASSETS	\$ 1,370,354	\$ 73,331	\$ 1,443,685	\$ 68,064

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SAN BERNARDINO
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004 (IN THOUSANDS)

	PRIMARY GOVERNMENT							COMPONENT UNIT
	PROGRAM REVENUES				NET (EXPENSE)/REVENUE AND CHANGES IN NET ASSETS			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	FIRST 5 SAN BERNARDINO
FUNCTIONS/PROGRAMS								
PRIMARY GOVERNMENT:								
GOVERNMENTAL ACTIVITIES:								
GENERAL GOVERNMENT	\$ 132,933	\$ 93,387	\$ 13,982	\$ -	\$ (25,564)	\$ -	\$ (25,564)	\$ -
PUBLIC PROTECTION	656,464	140,922	146,814	-	(368,728)	-	(368,728)	-
PUBLIC WAYS AND FACILITIES	37,095	5,463	38,228	10,608	17,204	-	17,204	-
HEALTH AND SANITATION	328,530	125,299	222,900	-	19,669	-	19,669	-
PUBLIC ASSISTANCE	820,853	3,435	765,606	-	(51,812)	-	(51,812)	-
EDUCATION	10,357	1,054	978	-	(8,325)	-	(8,325)	-
RECREATION AND CULTURAL SERVICES	22,284	7,833	801	-	(13,650)	-	(13,650)	-
INTEREST ON LONG TERM DEBT	42,678	-	-	-	(42,678)	-	(42,678)	-
TOTAL GOVERNMENTAL ACTIVITIES	2,051,194	377,393	1,189,309	10,608	(473,884)	-	(473,884)	-
BUSINESS-TYPE ACTIVITIES:								
MEDICAL CENTER	456,087	372,815	13,727	22,166	-	(47,379)	(47,379)	-
WASTE SYSTEMS	29,781	54,831	946	-	-	25,996	25,996	-
OTHER	19,827	18,835	103	-	-	(889)	(889)	-
TOTAL BUSINESS-TYPE ACTIVITIES	505,695	446,481	14,776	22,166	-	(22,272)	(22,272)	-
TOTAL PRIMARY GOVERNMENT	\$ 2,556,889	\$ 823,874	\$ 1,204,085	\$ 32,774	(473,884)	(22,272)	(496,156)	-
COMPONENT UNIT								
FIRST 5 SAN BERNARDINO	\$ 31,115	\$ -	\$ 29,261	\$ -	\$ -	\$ -	\$ -	\$ (1,854)
GENERAL REVENUES:								
PROPERTY TAXES, LEVIED FOR GENERAL PURPOSES					206,860	5,837	212,697	-
PROPERTY TAXES, LEVIED FOR DEBT SERVICE					4,932	-	4,932	-
PUBLIC SAFETY TAX					110,188	-	110,188	-
SALES TAXES					22,285	-	22,285	-
OTHER TAXES					25,202	-	25,202	-
MOTOR VEHICLE IN-LIEU TAXES					94,583	-	94,583	-
UNRESTRICTED REVENUES FROM USE OF MONEY AND PROPERTY					33,063	10,289	43,352	486
MISCELLANEOUS					46,876	11,747	58,623	6
GAINS ON SALE OF CAPITAL ASSETS					5,051	34	5,085	-
TRANSFERS					(24,063)	24,063	-	-
TOTAL GENERAL REVENUES AND TRANSFERS					524,977	51,970	576,947	492
CHANGE IN NET ASSETS					51,093	29,698	80,791	(1,362)
NET ASSETS - BEGINNING , AS RESTATED (NOTE 3)					1,319,261	43,633	1,362,894	69,426
NET ASSETS - ENDING					\$ 1,370,354	\$ 73,331	\$ 1,443,685	\$ 68,064



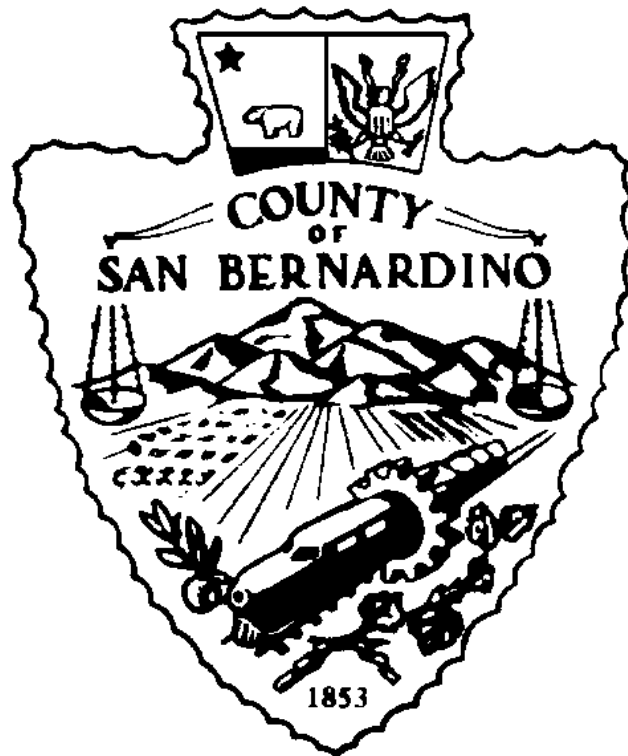


Fund Financial Statements

1853



County of San Bernardino



COUNTY OF SAN BERNARDINO
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004 (IN THOUSANDS)

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
CASH AND CASH EQUIVALENTS (NOTE 6)	\$ 231,607	\$ 288,727	\$ 520,334
INVESTMENTS (NOTE 6)	-	9,620	9,620
ACCOUNTS RECEIVABLES - NET (NOTE 2)	1,521	1,922	3,443
TAXES RECEIVABLE	17,959	10,033	27,992
INTEREST RECEIVABLE	194	184	378
LOANS RECEIVABLE	1,469	-	1,469
OTHER RECEIVABLES	28	20	48
DUE FROM OTHER FUNDS (NOTE 7)	48,860	15,933	64,793
DUE FROM OTHER GOVERNMENTS (NOTE 2)	139,885	31,650	171,535
INVENTORIES	1,205	235	1,440
PREPAID ITEMS	157	21	178
INTERFUND RECEIVABLE (NOTE 7)	1,000	400	1,400
RESTRICTED CASH AND INVESTMENTS (NOTES 6 & 8)	141,988	1,295	143,283
OTHER ASSETS	-	-	-
TOTAL ASSETS	<u>\$ 585,873</u>	<u>\$ 360,040</u>	<u>\$ 945,913</u>
LIABILITIES AND FUND BALANCES			
ACCOUNTS PAYABLE	\$ 22,966	\$ 14,747	\$ 37,713
SALARIES AND BENEFITS PAYABLE	35,872	6,294	42,166
DUE TO OTHER FUNDS (NOTE 7)	6,729	15,137	21,866
DUE TO OTHER GOVERNMENTS	31,217	1,575	32,792
INTEREST PAYABLE	2,100	-	2,100
OTHER ACCRUED LIABILITIES	-	702	702
DEFERRED REVENUE (NOTE 2)	17,191	5,223	22,414
INTERFUND PAYABLE (NOTE 7)	-	1,650	1,650
BONDS AND NOTES PAYABLE (NOTE 11)	140,000	-	140,000
TOTAL LIABILITIES	<u>256,075</u>	<u>45,328</u>	<u>301,403</u>
FUND BALANCES (NOTE 5):			
RESERVED FOR:			
ENCUMBRANCES	9,632	38,293	47,925
PREPAID ITEMS	1,344	-	1,344
NONCURRENT INTERFUND RECEIVABLES	1,025	403	1,428
INVENTORIES	1,205	235	1,440
LOANS RECEIVABLE	1,462	116	1,578
DEBT SERVICE	-	40,193	40,193
TEETER	9,077	-	9,077
UNRESERVED, REPORTED IN:			
DESIGNATED	108,878		108,878
UNDESIGNATED			
GENERAL FUND	197,175	-	197,175
SPECIAL REVENUE FUNDS	-	217,986	217,986
CAPITAL PROJECTS FUNDS	-	16,943	16,943
PERMANENT FUNDS	-	543	543
TOTAL FUND BALANCES	<u>329,798</u>	<u>314,712</u>	<u>644,510</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 585,873</u>	<u>\$ 360,040</u>	

Amounts reported for governmental activities in the statement of net assets are different because (NOTE 4):

Capital assets used in governmental activities that are not financial resources and, therefore, are not reported in the funds.	1,150,299
Other long-term assets that are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	6,394
Net Pension Obligation Bond	852,418
Internal service funds that are used by management to charge the costs of general services, telephone services, computer operations, vehicle services, risk management, and flood control equipment to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.	(12,368)
2004 Pension Obligation Bond payable	(463,895)
Long-term liabilities, including bonds payable, that are not due and payable in the current period and therefore are not reported in the funds.	(807,004)
Net assets of governmental activities (page 36)	<u>\$ 1,370,354</u>

COUNTY OF SAN BERNARDINO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004 (IN THOUSANDS)

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES			
TAXES	\$ 285,440	\$ 85,964	\$ 371,404
LICENSES, PERMITS AND FRANCHISES	18,350	280	18,630
FINES, FORFEITURES AND PENALTIES	8,696	7,762	16,458
REVENUES FROM USE OF MONEY AND PROPERTY	24,199	8,864	33,063
AID FROM OTHER GOVERNMENTAL AGENCIES	1,120,893	177,872	1,298,765
CHARGES FOR CURRENT SERVICES	311,162	31,143	342,305
OTHER REVENUES	9,016	38,138	47,154
TOTAL REVENUES	1,777,756	350,023	2,127,779
EXPENDITURES:			
CURRENT:			
GENERAL GOVERNMENT	170,198	7,828	178,026
PUBLIC PROTECTION	735,962	123,970	859,932
PUBLIC WAYS AND FACILITIES	3,356	54,220	57,576
HEALTH AND SANITATION	383,819	2,930	386,749
PUBLIC ASSISTANCE	843,825	80,075	923,900
EDUCATION	2,689	11,340	14,029
RECREATION AND CULTURAL SERVICES	14,100	5,445	19,545
DEBT SERVICE			
PRINCIPAL	441	22,722	23,163
INTEREST AND FISCAL CHARGES	1,285	25,442	26,727
CAPITAL OUTLAY	5,313	54,966	60,279
TOTAL EXPENDITURE	2,160,988	388,938	2,549,926
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(383,232)	(38,915)	(422,147)
OTHER FINANCING SOURCES (USES):			
TRANSFERS TO OTHER FUNDS (NOTE 7)	(80,620)	(46,192)	(126,812)
TRANSFERS FROM OTHER FUNDS (NOTE 7)	42,798	60,098	102,896
LONG-TERM DEBT ISSUED	463,895	2,247	466,142
INCEPTION OF CAPITAL LEASE OBLIGATIONS (NOTE 11)	282	756	1,038
SALE OF CAPITAL ASSETS	1,101	2,178	3,279
TOTAL OTHER FINANCING SOURCES AND (USES)	427,456	19,087	446,543
NET CHANGE IN FUND BALANCE	44,224	(19,828)	24,396
FUND BALANCE, JULY 1, 2003	285,574	334,540	620,114
FUND BALANCE, JUNE 30, 2004	\$ 329,798	\$ 314,712	\$ 644,510
NET CHANGES IN FUND BALANCES -- TOTAL GOVERNMENTAL			\$ 24,396
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.			49,608
Internal service funds are used by management to charge the costs of general service group, telephone services, computer operations, vehicle services, risk management, and flood control equipment. The net revenues of the internal service funds is reported within governmental activities.			(10,676)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.			(2,989)
Expenses in the statement of activities that do not require the use of the current financial resources and, therefore, are not reported as expenditures in the governmental funds.			(15,951)
The amortization of the prepaid asset of the 95 POB.			(10,515)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds, report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.			17,220
Changes in net assets of governmental activities (page 37)			\$ 51,093

COUNTY OF SAN BERNARDINO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL ON A BUDGETARY BASIS
YEAR ENDED JUNE 30, 2004 (IN THOUSANDS)

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
TAXES	\$ 260,590	\$ 265,850	\$ 285,440	\$ 19,590
LICENSES, PERMITS AND FRANCHISES	18,556	19,351	18,350	(1,001)
FINES, FORFEITURES AND PENALTIES	7,591	7,591	8,696	1,105
REVENUES FROM USE OF MONEY AND PROPERTY	24,377	24,537	24,199	(338)
AID FROM OTHER GOVERNMENTAL AGENCIES	1,114,107	1,116,657	1,120,893	4,236
CHARGES FOR CURRENT SERVICES	302,637	307,106	311,162	4,056
OTHER REVENUES	12,759	13,278	9,016	(4,262)
TOTAL REVENUES	1,740,617	1,754,370	1,777,756	23,386
EXPENDITURES:				
CURRENT:				
GENERAL GOVERNMENT	184,657	219,752	169,570	50,182
PUBLIC PROTECTION	502,239	750,295	734,179	16,116
PUBLIC WAYS AND FACILITIES	2,384	3,432	3,332	100
HEALTH AND SANITATION	361,648	428,851	382,616	46,235
PUBLIC ASSISTANCE	737,812	868,227	842,842	25,385
EDUCATION	2,850	2,850	2,689	161
RECREATION AND CULTURAL SERVICES	10,499	14,858	14,170	688
DEBT SERVICE	-	-	-	-
PRINCIPAL	477	477	441	36
INTEREST AND FISCAL CHARGES	5,070	5,070	1,285	3,785
CAPITAL OUTLAY	5,166	4,853	3,954	899
TOTAL EXPENDITURE	1,812,802	2,298,665	2,155,078	143,587
EXCESS OF REVENUES OVER EXPENDITURES	(72,185)	(544,295)	(377,322)	166,973
OTHER FINANCING SOURCES (USES):				
TRANSFERS TO OTHER FUNDS (NOTE 7)	(107,378)	(112,466)	(80,620)	31,846
TRANSFERS FROM OTHER FUNDS (NOTE 7)	54,764	59,664	42,798	(16,866)
LONG-TERM DEBT ISSUED	-	463,895	463,895	-
INCEPTION OF CAPITAL LEASE OBLIGATIONS (NOTE 11)	282	282	282	-
SALE OF CAPITAL ASSETS	730	730	1,101	371
TOTAL OTHER FINANCING SOURCES AND (USES)	(51,602)	412,105	427,456	15,351
NET CHANGE IN FUND BALANCE	(123,787)	(132,190)	50,134	182,324
FUND BALANCE, JULY 1, 2003	270,032	270,032	270,032	-
FUND BALANCE, JUNE 30, 2004	\$ 146,245	\$ 137,842	\$ 320,166	\$ 182,324

COUNTY OF SAN BERNARDINO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2004 (IN THOUSANDS)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	MEDICAL CENTER	WASTE SYSTEMS DIVISION	OTHER ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	
ASSETS					
CURRENT ASSETS:					
CASH AND CASH EQUIVALENTS (NOTE 6)	\$ 14,472	\$ 27,492	\$ 36,111	\$ 78,075	\$ 76,929
ACCOUNTS RECEIVABLE - NET (NOTE 2)	26,024	5,939	2,611	34,574	218
TAXES RECEIVABLE	-	806	-	806	-
INTEREST RECEIVABLE	-	552	-	552	-
OTHER RECEIVABLES	-	-	-	-	-
DUE FROM OTHER FUNDS (NOTE 7)	1,119	570	343	2,032	723
DUE FROM OTHER GOVERNMENTS	41,035	1,858	8	42,901	658
INVENTORIES	1,349	-	144	1,493	1,774
PREPAID ITEMS	377	11,852	-	12,229	1,235
TOTAL CURRENT ASSETS	84,376	49,069	39,217	172,662	81,537
NONCURRENT ASSETS:					
DEFERRED CHARGES	-	1,937	-	1,937	-
RESTRICTED CASH AND INVESTMENTS (NOTE 6 & 8)	59,176	107,264	-	166,440	-
INTERFUND RECEIVABLE (NOTE 7)	-	-	-	-	-
OTHER ASSETS	9,718	-	-	9,718	-
LAND, STRUCTURE, IMPROVEMENTS, AND INFRASTRUCTURE	512,913	143,740	106,304	762,957	7,049
EQUIPMENT	94,756	2,407	3,621	100,784	51,451
ACCUMULATED DEPRECIATION AND AMORTIZATION	(133,401)	(81,951)	(51,520)	(266,872)	(39,049)
CONSTRUCTION IN PROGRESS	-	9,159	2,428	11,587	-
TOTAL NONCURRENT ASSETS	543,162	182,556	60,833	786,551	19,451
TOTAL ASSETS	627,538	231,625	100,050	959,213	100,988
LIABILITIES					
CURRENT LIABILITIES:					
ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES	11,900	7,759	700	20,359	2,862
SALARIES AND BENEFITS PAYABLE	7,415	248	74	7,737	1,493
DUE TO OTHER FUNDS (NOTE 7)	28,907	5,631	136	34,674	2,969
DUE TO OTHER GOVERNMENTS	-	1,161	-	1,161	-
INTEREST PAYABLE	13,653	21	116	13,790	-
DEFERRED REVENUE	-	-	18	18	256
COMPENSATED ABSENCES PAYABLE (NOTE 11)	5,647	207	-	5,854	-
BONDS AND NOTES PAYABLE (NOTE 11)	23,060	4,900	579	28,539	-
CAPITAL LEASE OBLIGATIONS (NOTE 11)	354	-	-	354	-
ESTIMATED LIABILITY FOR CLOSURE/POST-CLOSURE CARE COSTS	-	21,467	-	21,467	-
ESTIMATED LIABILITY FOR LITIGATION AND SELF-INSURED CLAIMS	-	-	-	-	32,047
TOTAL CURRENT LIABILITIES	90,936	41,394	1,623	133,953	39,627
NONCURRENT LIABILITIES					
COMPENSATED ABSENCES PAYABLE	1,124	145	132	1,401	3,282
BONDS AND NOTES PAYABLE	560,917	81,775	5,578	648,270	-
CAPITAL LEASE OBLIGATIONS	1,305	-	-	1,305	785
ESTIMATED LIABILITY FOR CLOSURE/POST-CLOSURE CARE COSTS	-	100,953	-	100,953	-
ESTIMATED LIABILITY FOR LITIGATION AND SELF-INSURED CLAIMS	-	-	-	-	69,662
TOTAL NONCURRENT LIABILITIES	563,346	182,873	5,710	751,929	73,729
TOTAL LIABILITIES	654,282	224,267	7,333	885,882	113,356
NET ASSETS:					
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	(101,650)	(13,320)	54,676	(60,294)	18,666
RESTRICTED FOR:					
OTHER RESTRICTIONS	45,523	-	-	45,523	-
UNRESTRICTED	29,383	20,678	38,041	88,102	(31,034)
TOTAL NET ASSETS	<u>\$ (26,744)</u>	<u>\$ 7,358</u>	<u>\$ 92,717</u>	<u>\$ 73,331</u>	<u>\$ (12,368)</u>

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SAN BERNARDINO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2004 (IN THOUSANDS)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	MEDICAL CENTER	WASTE SYSTEMS DIVISION	OTHER ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	
OPERATING REVENUES:					
NET PATIENT CARE AND SERVICE	\$ 372,815	\$ -	\$ -	\$ 372,815	\$ -
CHARGES FOR CURRENT SERVICES	-	54,119	18,835	72,954	122,916
OTHER	13,727	712	-	14,439	-
TOTAL OPERATING REVENUES	386,542	54,831	18,835	460,208	122,916
OPERATING EXPENSES:					
PROFESSIONAL SERVICES	31,648	29,219	1,675	62,542	6,200
SALARIES AND EMPLOYEE BENEFITS	138,367	4,335	6,864	149,566	27,370
SELF-INSURANCE CLAIMS	-	-	1	1	45,065
SERVICES AND SUPPLIES	221,988	(8,614)	8,099	221,473	50,491
DEPRECIATION AND AMORTIZATION	23,328	3,765	2,682	29,775	6,225
OTHER	6,681	-	205	6,886	312
TOTAL OPERATING EXPENSES	422,012	28,705	19,526	470,243	135,663
OPERATING INCOME (LOSS)	(35,470)	26,126	(691)	(10,035)	(12,747)
NONOPERATING REVENUES (EXPENSES)					
INTEREST REVENUE	440	9,178	671	10,289	2,746
INTEREST EXPENSE	(33,129)	(1,076)	(301)	(34,506)	(48)
TAX REVENUE	1,447	-	4,390	5,837	-
GRANT REVENUE	22,166	946	103	23,215	-
GAIN (LOSS) ON SALE OF CAPITAL ASSETS	-	-	34	34	(23)
OTHER NONOPERATING REVENUES	6,720	3,628	941	11,289	-
OTHER NONOPERATING EXPENSES	(946)	-	-	(946)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(3,302)	12,676	5,838	15,212	2,675
CHANGE IN NET ASSETS (DEFICIT) BEFORE TRANSFERS	(38,772)	38,802	5,147	5,177	(10,072)
TRANSFERS TO OTHER FUNDS (NOTE 7)	(1,927)	(8,070)	(2,643)	(12,640)	(2,612)
TRANSFERS FROM OTHER FUNDS (NOTE 7)	37,158	-	3	37,161	2,007
CHANGE IN NET ASSETS (DEFICIT)	(3,541)	30,732	2,507	29,698	(10,677)
TOTAL NET ASSETS, JULY 1, 2003, AS RESTATED (NOTE 3)	(23,203)	(23,374)	90,210	43,633	(1,691)
TOTAL NET ASSETS (DEFICIT), JUNE 30, 2004	\$ (26,744)	\$ 7,358	\$ 92,717	\$ 73,331	\$ (12,368)

COUNTY OF SAN BERNARDINO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2004 (IN THOUSANDS)

	BUSINESS-TYPE ACTIVITIES -- ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -- INTERNAL SERVICE FUNDS
	MEDICAL CENTER	WASTE SYSTEMS DIVISION	OTHER ENTERPRISE FUNDS	TOTAL ENTERPRISE FUNDS	
CASH FLOWS FROM OPERATING ACTIVITIES:					
CASH RECEIVED FROM PATIENT CARE AND SERVICES	\$ 357,364	\$ 58,129	\$ 18,955	\$ 434,448	\$ 124,055
CASH PAYMENTS TO SUPPLIERS OF GOODS AND SERVICES	(222,839)	(38,879)	(10,409)	(272,127)	(92,321)
CASH PAYMENTS TO EMPLOYEES FOR SERVICES	(138,235)	(4,277)	(6,818)	(149,330)	(27,050)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(3,710)	14,973	1,728	12,991	4,684
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
TAXES RECEIVED	1,447	-	4,390	5,837	-
GRANTS RECEIVED	-	946	219	1,165	-
OTHER NONOPERATING REVENUE	5,774	(231)	943	6,486	-
TRANSFERS RECEIVED	37,158	-	3	37,161	2,002
TRANSFERS PAID	(1,927)	(3,000)	(2,643)	(7,570)	(2,612)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	42,452	(2,285)	2,912	43,079	(610)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
STATE DEBT SERVICE FUNDING RECEIVED	22,166	-	-	22,166	-
ACQUISITION OF CAPITAL ASSETS	(2,631)	(5,992)	(1,797)	(10,420)	(5,976)
PRINCIPAL PAID ON CAPITAL LEASE OBLIGATIONS	(421)	-	(110)	(531)	(1,079)
INTEREST PAID ON CAPITAL LEASE OBLIGATIONS	-	-	(373)	(373)	(48)
PRINCIPAL PAID ON BONDS AND NOTES	(21,890)	(4,650)	-	(26,540)	-
INTEREST PAID ON BONDS AND NOTES	(33,129)	(1,083)	-	(34,212)	-
PROCEEDS FROM SALE OF CAPITAL ASSETS	1,791	-	34	1,825	337
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(34,114)	(11,725)	(2,246)	(48,085)	(6,766)
CASH FLOWS FROM INVESTING ACTIVITIES:					
PROCEEDS FROM SALE AND MATURITIES OF INVESTMENTS	2,694	20,406	878	23,978	-
INTEREST ON INVESTMENTS	440	8,087	669	9,196	2,694
NET CASH PROVIDED BY INVESTING ACTIVITIES	3,134	28,493	1,547	33,174	2,694
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,762	29,456	3,941	41,159	2
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	65,886	105,300	32,170	203,356	76,927
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 73,648</u>	<u>\$ 134,756</u>	<u>\$ 36,111</u>	<u>\$ 244,515</u>	<u>\$ 76,929</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
OPERATING INCOME (LOSS)	\$ (35,470)	\$ 26,126	\$ (691)	\$ (10,035)	\$ (12,747)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
DEPRECIATION	23,328	3,765	2,682	29,775	6,225
BAD DEBT EXPENSE	23,197	-	-	23,197	-
AMORTIZATION RELATED TO DEBT	2,871	-	-	2,871	-
CHANGES IN ASSETS AND LIABILITIES:					
ACCOUNTS RECEIVABLE	(16,317)	(1,499)	(290)	(18,106)	2,608
DUE FROM OTHER GOVERNMENTS	(12,524)	3,399	407	(8,718)	(200)
INVENTORIES	(114)	-	(8)	(122)	(349)
PREPAID ITEMS	104	804	-	908	559
DEFERRED CHARGES	-	136	-	136	48
ACCOUNTS PAYABLE AND OTHER LIABILITIES	8,537	1,553	(419)	9,671	386
SALARIES AND BENEFITS PAYABLE	1,554	70	11	1,635	137
ESTIMATED LIABILITIES FOR CLOSURE/POST CARE CLOSURE COSTS	-	(19,439)	-	(19,439)	-
ESTIMATED LIABILITIES FOR LITIGATION AND SELF-INSURANCE CLAIMS	-	-	-	-	7,907
COMPENSATED ABSENCES PAYABLE	1,124	58	36	1,218	110
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (3,710)</u>	<u>\$ 14,973</u>	<u>\$ 1,728</u>	<u>\$ 12,991</u>	<u>\$ 4,684</u>
BREAKDOWN OF CASH AND CASH EQUIVALENTS					
CASH AND CASH EQUIVALENTS	\$ 14,472	\$ 27,492	\$ 36,111	\$ 78,075	\$ 76,929
RESTRICTED CASH AND INVESTMENTS	59,176	107,264	-	166,440	-
	<u>\$ 73,648</u>	<u>\$ 134,756</u>	<u>\$ 36,111</u>	<u>\$ 244,515</u>	<u>\$ 76,929</u>

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SAN BERNARDINO
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004 (IN THOUSANDS)

ASSETS	TOTAL	INVESTMENT TRUST	AGENCY
CASH AND CASH EQUIVALENTS (NOTE 6)	\$ 1,953,778	\$ 1,611,189	342,589
INVESTMENTS (NOTE 6)	6,908	-	6,908
ACCOUNTS RECEIVABLE - NET	128	128	-
TAXES RECEIVABLE	132,824	166	132,658
INTEREST RECEIVABLE	205	20	185
LOANS RECEIVABLE	45	45	-
DUE FROM OTHER FUNDS (NOTE 7)	8,098	7,568	530
DUE FROM OTHER GOVERNMENTS	-	-	-
INTERFUND PAYABLE	250	-	250
TOTAL ASSETS	<u>2,102,236</u>	<u>1,619,116</u>	<u>483,120</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES:			
DUE TO OTHER FUNDS (NOTE 7)	16,137	679	15,458
DUE TO OTHER GOVERNMENTS	467,662	-	467,662
TOTAL LIABILITIES	<u>483,799</u>	<u>679</u>	<u>\$ 483,120</u>
NET ASSETS			
NET ASSETS HELD IN TRUST FOR INVESTMENT POOL PARTICIPANTS	<u>\$ 1,618,437</u>	<u>\$ 1,618,437</u>	

The notes to the basic financial statements are an integral part of this statement.

COUNTY OF SAN BERNARDINO
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
INVESTMENT TRUST FUND
YEAR ENDED JUNE 30, 2004 (IN THOUSANDS)

	<u>INVESTMENT TRUST FUND</u>
ADDITIONS:	
CONTRIBUTIONS ON POOLED INVESTMENTS	\$ 7,136,310
NET APPRECIATION IN FAIR VALUE OF INVESTMENTS	(17,694)
INTEREST INCOME ON CASH AND SECURITIES	<u>32,975</u>
TOTAL ADDITIONS	7,151,591
DEDUCTIONS:	
DISTRIBUTIONS FROM POOLED INVESTMENTS	<u>7,184,294</u>
TOTAL DEDUCTIONS	<u>7,184,294</u>
NET INCREASE IN NET ASSETS	(32,703)
NET ASSETS HELD IN TRUST, JULY 1, 2003	<u>1,651,140</u>
NET ASSETS HELD IN TRUST, JUNE 30, 2004	<u><u>\$ 1,618,437</u></u>

The notes to the basic financial statements are an integral part of this statement.

